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30 March 1962



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CENTRAL INTELLIGENCE BULLETIN



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State Dept. review completed

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30 March 1962

CENTRAL INTELLIGENCE BULLETIN

CONTENTS

1. USSR-Berlin: Soviets schedule eight flights in central air corridor for today. (*Page i*)
2. Congo: UN to threaten drastic political and economic sanctions if Adoula-Tshombé talks appear on verge of collapse. (*Page i*)
3. Laos: Souvanna and Souphannouvong say they will continue support for coalition cabinet which would include Phoumi. (*Page ii*)

25X1

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5. France: De Gaulle reportedly postpones nuclear tests. (*Page iii*)
 6. Afghanistan-Pakistan: Kabul continues to reject any compromise in border dispute with Pakistan. (*Page iii*)
 7. Common Market - Africa: Common Market to offer large number of African countries preferential arrangement for association with free trade area. (*Page iv*)
 8. Brazil: Subsidiary of US-owned firm threatened with seizure in Rio Grande do Sul. (*Page v*)
 9. Argentina: (*Page v*)

25X1

25X1

CENTRAL INTELLIGENCE BULLETIN

30 March 1962

DAILY BRIEF

*USSR-Berlin: Eight Soviet transport flights have been scheduled for today in the central air corridor. The flights are to take place between 1100 and 1515 EST at altitudes from 3,500 to 6,500 feet. [REDACTED]

25X1

25X1 [REDACTED] *Congo: [The UN Command in the Congo has been authorized by UN headquarters in New York to threaten Tshombé with drastic political and economic sanctions should the current Adoula-Tshombé talks appear on the verge of collapse. UN representative Gardiner apparently plans in such a contingency to warn Tshombé that the UN is prepared to assert the central government's authority in Katanga, and to collect on Leopoldville's behalf the mining revenues which hitherto have been paid to Tshombé. Gardiner told Ambassador Gullion that if Tshombé returns to Elisabethville, the UN plans to arrest him and his ministers and to cut off Katanga's communications with the outside.]

[The threat of such a move appears unlikely to soften Tshombé's intransigence, and it might trigger action by Katangan forces in Elisabethville, where relations between the UN Command and Tshombé's lieutenants continue strained. While Adoula has accused Tshombé of stalemating the talks, the Katangan leader has shown no disposition to break off the talks and appears prepared for protracted negotiations.] [REDACTED]

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25X1

Laos: Souvanna and Souphannouvong told the British ambassador on 28 March, that they would continue their support for the formation of a coalition cabinet which would include Phoumi and other members of the Vientiane faction. Observing that it might take "two or three months" before Western pressures could bring Phoumi to accept such a solution, the two princes agreed that military provocations should be avoided during such a waiting period. Souphannouvong stated, however, that if Phoumi's forces attacked, he would retaliate with strong counterattacks.

Souvanna confirmed that he is leaving for Paris on 3 April for medical treatment and rest, but said he had no intention of relinquishing his "mandate" and would be prepared to return to Laos "at the appropriate time."

ii

25X1

25X1

25X1

25X1

France: De Gaulle has decided to postpone the French underground nuclear tests in the Sahara previously scheduled for about 1 May, [redacted]

25X1

[redacted] De Gaulle's decision was taken as a result of the intervention of Foreign Minister Couve de Murville. There is no known technical reason which would have prevented the French from conducting a test on schedule. If the French follow the past practice of not testing during the summer months because of weather conditions in the Sahara, the test will be postponed until after 1 October.

The 18 March Evian accords give France the right to use the facilities at In Eker and Reggane and at the Colomb-Bechar-Hamaguir complex for five years--sites where France has previously conducted nuclear and missile tests. [redacted]

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*Afghanistan-Pakistan: The Afghan Government has reaffirmed its decision to reject any compromise solution of the impasse in its relations with Pakistan until Pakistani leaders agree to restore the status quo existing before the diplomatic break and border closure last September. Foreign Minister Naim told Ambassador Steeves on 28 March that the minimum basis on which Kabul would be willing to restore relations with Pakistan and remove restrictions on border transit would be re-establishment of the Afghan consular and trade offices in Pakistan. These offices were closed on demand of the Pakistani Government in September on grounds that they served as bases for Afghan subversive activities in Pakistan's Pushtoon tribal territory, a move which prompted Kabul to break relations and close its frontier to normal traffic.

25X1

The two-month period during which Afghan authorities had reopened the border for transit of US aid shipments expired on 29 March; presumably the border has been closed, leaving the positions of the two government as far apart as ever. Naim, in [redacted]

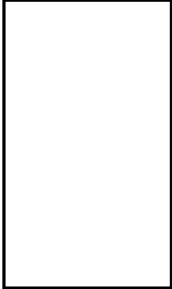
30 Mar 62

DAILY BRIEF

iii

25X1

25X1

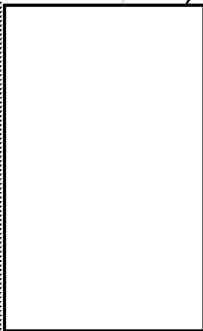


25X1

stressing the value of US good offices and expressing the hope that they would not be abandoned, probably hopes that further US pressure on Pakistan will produce more than the limited concessions which Rawalpindi has indicated a willingness to make. President Ayub has repeatedly made clear, however, that he will not accept a return to the status quo ante, apparently convinced that a tough policy will in time force Kabul to give up its demands relating to the Pushtoonistan dispute.]



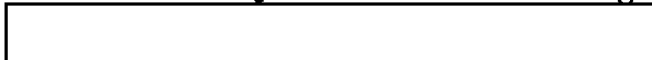
25X1



Common Market - Africa: [A high official of the French mission to the Common Market (EEC) anticipates that the EEC will agree, within the next few weeks, to offer a large number of African countries a five-year, preferential arrangement for association with the free trade area. Such an arrangement would replace the 1957 association convention, which expires this year. Under the new convention the level of EEC preferences to be accorded African exports would be reduced, but the number of African countries receiving such preferences would almost certainly be increased. The French official says he now is preparing a paper for Paris on the problems of associating an independent Algeria with the Common Market. Moreover, Britain is asking that, as a condition for its membership in the EEC, the African members of the Commonwealth be accorded equal treatment with African countries already associated with the Common Market.]

25X1

[A Dutch official, who shares US concern lest the preferential arrangement raise major problems for underdeveloped areas not associated with the EEC, believes that unless the US "exerts heavy pressure in the next few weeks, it will be too late to influence the shape of the association agreement.]



Backup, Page 1)

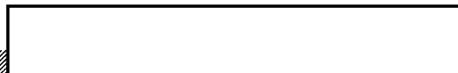
25X1

30 Mar 62

DAILY BRIEF

iv

25X1



***Brazil:** Governor Leonel Brizola of Rio Grande do Sul State plans to seize the Pelotas subsidiary of the US-owned American and Foreign Power as soon as legal formalities at the central government level are completed, a Rio Grande do Sul official announced today. Brizola has long been in the forefront of the growing number of Brazilians favoring the takeover of foreign-owned utilities, and on 27 February went so far as to advocate publicly the expropriation of all foreign enterprises, including banks. Earlier in February he had taken over a subsidiary of the International Telephone and Telegraph Corporation, and in May 1959 he seized the American and Foreign Power outlet in Porto Alegre.

Brizola, who has hopes of being elected a federal deputy in October, and of then becoming prime minister, is seeking to build his national reputation by exploiting the foreign-ownership issue. The timing of yesterday's announcement--essentially a repetition of an earlier threat against the same firm--suggests an intent to embarrass President Goulart, his political rival as well as brother-in-law, on the eve of Goulart's visit to the US beginning 3 April. Goulart has already stated he intends to discuss in Washington the question of US-owned utilities and the matter of adequate compensation for those taken over.

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***Argentina:** (information as of 0430 EST) Senate President José María Guido, following an agreement between him and the military leaders who deposed President Frondizi, is to be formally installed as President of Argentina at noon today. Prior to the official announcement late last night of these plans, Guido reportedly agreed to military approval of his cabinet appointments and to several strong anti-Peronista measures, including annulment of the Peronista electoral victories of 18 March.

Guido has said that his cabinet, as yet only partially formed, will be a "national and nonpartisan" one, and he has resigned his

30 Mar 62

DAILY BRIEF

v

25X1

longstanding membership in Frondizi's Intransigent Radical party (UCRI). He reportedly plans to call new elections within three months. The 51-year-old Guido is a lawyer from Rio Negro Province and seems favorably disposed toward the United States.

Guido, whose position as Senate President made him the constitutional successor to Frondizi, had earlier refused the military's request that he accept the presidency. Yesterday afternoon, however, after consulting UCRI leaders, including Frondizi, who is in military custody on San Martin Island 30 miles from Buenos Aires, Guido had himself sworn in as president at the Supreme Court in an unpublicized ceremony without notifying the armed forces leaders beforehand. This almost led to a break between him and the military, who reportedly were again threatening to take over the government.

Guido's acceptance of the presidency reflects a change in the strategy of the UCRI, which had earlier threatened to withdraw its majority from congress if Frondizi were ousted. The UCRI may believe that it now stands a better chance of Peronista support in the next elections in view of the military's ousting of Frondizi and threats to suppress Peronista political activity. UCRI leaders have expressed fear that political suppression of the Peronistas may drive them into cooperation with the Communists. Some moderate Peronistas have also cited this possibility. A Peronista source informed the US Embassy yesterday that the Communists had again approached Peronista leaders urging a united front in staging street demonstrations and riots. He said that this suggestion had thus far been refused, but that Peronista leaders were determined to resist all government attempts to nullify their election victory. Peronista leaders are now converging on Buenos Aires to discuss strategy.

Reaction elsewhere in Latin America to the ouster of Frondizi has been extremely critical. Venezuela has recalled all of its embassy personnel from Argentina. [REDACTED]

25X1

30 Mar 62

DAILY BRIEF

vi

25X1

25X1

EEC Countries Near Agreement on New African Association Convention

25X1

[Renewal of the 1957 convention has been under discussion for more than a year among the six Common Market countries and between them and the 16 African countries presently linked to the EEC. The major difficulty has been the insistence of France, supported by the Africans, on continued preferential access of exports of associated African countries to the EEC. Until recently, both West Germany and the Netherlands strongly resisted the French demands, but Bonn has retreated, leaving the Dutch the only opponents of continued EEC discrimination against Africa's economic competitors--notably those in Latin America.]

[The association plan which now seems likely of adoption is a compromise of these conflicting points of view. The major exports of the associated African states would continue to enter the EEC tariff free, but the tariffs imposed on exports of nonassociated countries would be reduced by possibly 50 percent. Any resulting loss of income suffered by the Africans would be compensated for by increased EEC developmental aid, probably to total nearly a billion dollars over the next five years. This would be a 40-percent increase in the EEC aid accorded the associated states under the 1957 convention.]

[Although this new arrangement would thus be less discriminatory than the old one, its adoption would nonetheless mean EEC rejection for the time being at least of US proposals for a world-wide, nonpreferential approach to the international trading problems of the producers of the major tropical products. France has countered such proposals by asserting that the Africans are not prepared to relinquish preferences, and that in any case, with the 1957 convention expiring and the UK seeking EEC membership, there is no time to negotiate alternatives.]

[The prospective geographical enlargement of the African area favored by the EEC will enhance the concern of other areas]

25X1 [] not so favored. In recent talks with Ambassador Butterworth, the deputy chief of the French mission to the EEC not only referred to his study of Algerian association with the EEC, but also mentioned Tunisia, Morocco, and Ghana. Moreover, in a recent statement to Ambassador Bruce, a British Foreign Office official said that the association convention now under EEC consideration would make it easy to bring in the African Commonwealth countries. []

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25X1

25X1

30 Mar 62

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CENTRAL INTELLIGENCE BULLETIN

Page 2

25X1

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